



## TAXES DO NOT CREATE JOBS Recovery Rhetoric v. Reality

"Would it not be better to simplify the system of taxation rather than to spread it over such a variety of subjects and pass through so many new hands." --Thomas Jefferson

Fact: Despite all of the claims by Barack Hussein Obama and his cadre of Socialists about "creating or saving" jobs through their so-called "stimulus plan," their taxing revenue out of the private sector (from this and future generations) does NOT "stimulate" private sector job growth -- quite the contrary. (Nor is there any expressed authority in our [Constitution](#) for such redistribution of wealth -- but who pays attention to that venerable old parchment?)



Funded by whom?

Late last Friday, after the White House press corpse had departed for weekend resorts, Obama released his administration's "Mid-Session Budget Review," which analyzed the results of his effort to "[fundamentally transform](#) the United States of America" with his "stimulus" plan. From almost any vantage point, the report is tantamount to an admission of failure, but Obama's rhetorical smokescreen continues to imply otherwise.

That plan, officially known as the [American Recovery and Reinvestment Act](#) but more accurately known as the American Socialization and Redistribution Act, is Obama's ruse to confiscate from taxpayers -- and borrow primarily from the Red Chinese -- almost a

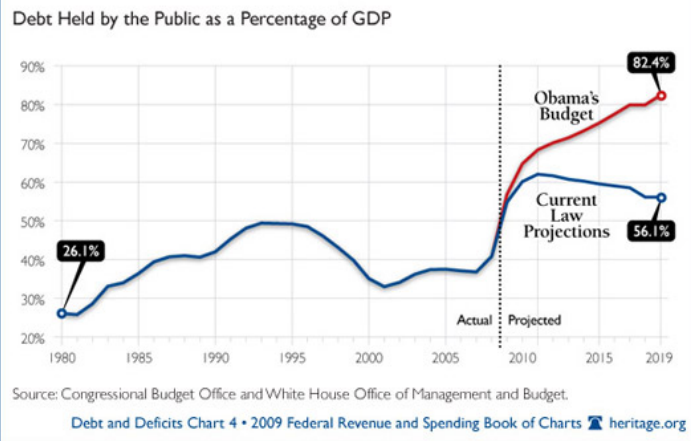
trillion dollars, then redistribute it to his constituents through government-controlled conduits.

The deficit created by Obama's plan this year alone is projected to be \$1.471 trillion. That's the largest deficit in our nation's history and the largest as a percentage of U.S. economic output since World War II. According to Heritage Foundation analyst Brian Riedl, "Before the recession, federal spending totaled \$24,000 per U.S. household. President Obama would hike it to \$36,000 per household by 2020 -- an inflation-adjusted \$12,000-per-household expansion of government."

Notably, if federal spending were reduced to the per-household [rates under Ronald Reagan](#), we'd have a balanced budget by 2012 without any tax hikes. Of course, that would require cutting government spending, and such a notion is antithetical to the Socialists in control of the U.S. government.

### Obama's Budget Would Increase Debt by 26.3 Percent of GDP Compared to CBO Baseline

The non-partisan Congressional Budget Office projects that publicly held debt will reach 56.1 percent of GDP under current law. If President Obama's budget is implemented, CBO projects debt to reach 82.4 percent of GDP.



Obama Debt

Of such debt, Thomas Jefferson observed, "We must not let our rulers load us with perpetual debt. ... I place economy among the first and most important of republican virtues, and public debt as the greatest of the dangers to be feared. ... The fore horse of this frightful team is public debt. Taxation follow that, and in its turn wretchedness and oppression."

There is much to be feared because Obama's plan, if unaltered, will [break the back](#) of free enterprise and the consequence will, most assuredly, be "wretchedness and oppression."

Obama claims that his stimulus package "creates or saves jobs." Setting aside the utter ridiculousness of this made-up metric and the mainstream media's willingness to let him trot it out, Obama's "stimulus" does nothing more than take income from the private sector and use it to grow government. It is not about job creation but about job displacement. It's about embezzling funds from the private sector to underwrite jobs that a small cadre of central government planners determines are necessary to further centralize their power and control over the economy.

Memo to Obama, et al.: Private sector job creation occurs when private enterprises have sufficient capital to improve and expand their operations in order to meet growing demand in a competitive, healthy economy. The job creation that occurs when the private sector is able to compete in a free market unfettered by excessive government interference (taxation and regulation) is the most stable and secure type of job growth.

Of course, taxes are necessary to fund some government jobs -- most notably those actually authorized by our Constitution, such as in national defense.

However, the current debate is not even centered on tax reductions, but merely holding the line on taxes now. When the current Bush-era tax rate limits expire on 1 January 2011, Obama will, without a single vote in Congress, usher in the largest tax increases in the

history of our Republic, even if Congress extends breaks for the lower brackets. This business of sunseting tax limits is a charade -- cut taxes and then Congress must vote to *increase* taxes. As it is, the Socialists look heroic for extending tax breaks on all but the "rich."

Here is the breakdown:

The 10% bracket rises to 15%  
The 25% bracket rises to 28%  
The 28% bracket rises to 31%  
The 33% bracket rises to 36%  
The 35% bracket rises to 39.6%

The "marriage penalty" and "death tax" will also return, and for more than half of Americans who have substantial savings and investments, the capital gains tax will rise from 15 percent to 20 percent and the dividends tax will rise from 15 percent to 39.6 percent.

This is what I know for certain, firsthand, as a small business owner: If my taxes were lower, I would have more capital to provide salary and wage increases, hire more employees and purchase more equipment to grow our business.

Republicans claim that those hit hardest by Obama's tax increases will be small business owners. But make no mistake: Those hit hardest by Obama's tax increases will *not* be the owners of small businesses. Instead, they will be the *employees* of small businesses -- those who like to be employed, those who employ others to provide services and produce equipment for small businesses, those who maintain the physical plants of small businesses, etc.

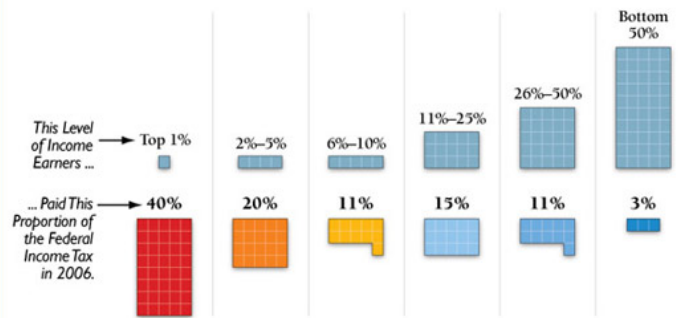
As Rep. Paul Ryan (R-WI) [lectured uber-Leftist Chris Matthews](#) recently, more than "75 percent of those people who pay that [highest] tax rate are small businesses who file as individuals, not corporations."

I know this, because I'm one of them.

### The Top 10 Percent of Income Earners Paid 71 Percent of Federal Income Tax

The U.S. tax system is highly progressive. The top 1 percent of income earners paid 40 percent of all federal income taxes in 2006, while the bottom 50 percent paid 3 percent. Further, 32 percent of all tax returns with positive adjusted gross income, 43 million total, filed in 2006 were from people who paid no federal income tax at all.

Percent of Federal Individual Income Tax Paid in 2006



Source: Internal Revenue Service.

Taxes and Tax Rates Chart 9 • 2009 Federal Revenue and Spending Book of Charts [heritage.org](http://heritage.org)

### Tax Burden

If you're among those who've been led to believe that the current U.S. tax code is "fair" because it's "progressive" (that is, it seizes a much greater percentage of capital from those who create wealth and private sector jobs), I would argue that, from the perspective of those in need of jobs, the current tax system is regressive, as it reduces employment opportunity. When was the last time you were offered a career job by a poor person?

Rejecting the oppression of such taxes, Jefferson wrote, "To take from one, because it is thought his own industry ... has acquired too much, in order to spare to others, who ... have not exercised equal industry and skill, is to violate arbitrarily the first principle of association, the guarantee to everyone the free exercise of his industry and the fruits acquired by it."

In fact, the [current job outlook](#) for the unemployed has grown much worse under Obama. There are now five Americans seeking a job for every one job opening.

Of course, socialists decry any effort to replace their "tax-borrow-and-spend" Keynesian mantra with a simple flat or national sales tax. Aside from saving Americans billions of hours of tax-time toil, this

would spread the burden of the cost of government over a greater share of American taxpayers.

Let me reiterate: Taxes do not "save or create" private sector jobs, but merely redistribute wealth from the most productive part of the economy (the private sector) to the least productive (the government). That truth, however, will not stop Obama's unmitigated assault on free enterprise. He and his administration will continue to use two tactics to argue for tax increases and more government growth.

First, Obama is the consummate blame-shifter, rarely talking about the economy without mentioning that he "inherited this mess" from the previous administration. In truth, the "Bush deficits" are primarily the result of two events. One was the devastating effect of the [Jihadi 9/11 attack](#) on our nation, which wounded the economy, lowered tax revenues, and greatly increased the cost of defending our nation. The other was the [cascading crisis of confidence](#) which began with central government meddling in the housing markets and ended in a near collapse of our economy.

So much for the [once noble Democrat Party](#) of men like Harry "The Buck Stops Here" Truman.

Second, once Obama dismisses the current fiasco as the result of "failed policies of the past," he trots out the old classist rhetoric upon which every failed socialist regime has been built: the [Politics of Disparity](#).

But don't take my word for it. Here's a sampling of recent fodder from the ObamaPrompter: "hundreds of billions of dollars on tax breaks for the wealthiest ... hundreds of billions of dollars in tax cuts for the wealthiest Americans ... a massive deficit ... neglected to pay for two tax cuts for the wealthiest Americans ... tax breaks for the wealthiest 2 percent of Americans ... we're going to make sure that the wealthiest Americans pay ... more effective in stimulating recovery than tax breaks for the very wealthiest ... the wealthiest 1 percent of households ... tax breaks to the wealthiest few that make the rich richer and the deficit

even larger ... save billions of dollars by rolling back tax cuts for the wealthiest ... tax breaks that make the rich even richer ... economy that was working pretty well for the wealthiest Americans ... programs would be funded by raising taxes on the wealthiest Americans ... instead of giving all the tax breaks to the wealthiest few ... massive tax cuts for the richest Americans ... the policies were, you cut taxes for the richest people who don't need tax cuts," ad nauseam.

Obama has cleverly twisted the tax lexicon to the point where he now calls tax increases "investments" and claims that tax cuts "cost the government."

Meanwhile, Obama's favorite lap dog, Joe Biden, was out shoring up support for more taxing and spending. "Americans deserve a government that actually works, a government that people can trust; government that people can rely on; and a government that actually gets things done effectively, efficiently, without waste, without fraud, without abuse," he boasted. "We're trying to build a government that delivers much more bang for the buck than it ever has before. So far, we've spent \$600 billion..."

What Americans deserve is *a lot less* government and *a lot more* free enterprise capacity to grow our economy. That capacity is central to liberty.

Best case scenario, it will take several election cycles before we have enough *conservative* members of Congress to replace the U.S. tax code with an equitable system that promotes economic growth. In the interim, I humbly submit the Alexander stimulus plan: Cut taxes dramatically for all Americans, make equal cuts in discretionary government spending anywhere and everywhere, and reduce non-discretionary spending by altering the terms of social programs.

I can assure you that if a trillion dollars had been pumped into the economy in the form of tax and regulatory relief, we'd be well down the road to recovery.

Back when taxation and the scope of government were still subject to constitutional constraints, Jefferson declared, "Excessive taxation ... will carry reason and reflection to every man's door, and particularly in the hour of election."

Unfortunately, under the current tax code, a majority of the electorate pay little or no taxes, and in some cases, even get "refunds," which is to say, after the most rudimentary "reason and reflection," they will continue to elect Socialists. As George Bernard Shaw wrote, "A government which robs Peter to pay Paul can always depend on the support of Paul."